

Message Text

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PAGE 01 LIMA 00727 01 OF 02 272318Z

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05

COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 ACDA-07 MC-02 SNM-02 DEAE-00

VO-03 INSE-00 PER-01 PC-01 NSCE-00 SSO-00 USIE-00

INRE-00 /094 W

-----272353Z 076231 /73

O R 272220Z JAN 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 3487

INFO AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 0727

E.O. 11652: GDS

TAGS: PFOR, US, PE

SUBJECT: OVERVIEW OF PERU, 1977

REF: STATE 016158

AS BACKGROUND TO THE FOLLOWING OVERVIEW ON PERU, I INVITE
ATTENTION TO 76 LIMA 10217.

1. POLITICAL ENVIRONMENT -- AFTER EIGHT YEARS ON A RADICAL/
LEFTIST, THOUGH ALMOST COMPLETELY NON-VIOLENT COURSE, THE
PERUVIAN MILITARY GOVERNMENT HAS TURNED BACK TO THE POLITICAL
CENTER. MODERATES ARE IN CONTROL AND ENGAGED IN ROOTING OUT
RADICAL INFLUENCES, INDIGENOUS AND FOREIGN (PARTICULARLY CUBAN).
THE MORE RADICAL REVOLUTIONARY TENETS ARE BEING MODIFIED OR
ABANDONED. THE GOP IS AUTHORITARIAN BUT NOT
REPRESSIVE. IT CONTROLS LABOR UNIONS AND STRIKES ARE
ILLEGAL. THE LARGE-CIRCULATION PRESS IS CONTROLLED, BUT THERE
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PAGE 02 LIMA 00727 01 OF 02 272318Z

IS SOME FREEDOM OF EXPRESSION IN WEEKLY JOURNALS. SOME
ELEMENTS WITHIN THE MILITARY WOULD FAVOR OR COUNTENANCE A
RETURN TO CIVILIAN GOVERNMENT.

2. ECONOMIC ENVIRONMENT -- THE ECONOMIC SITUATION IS BAD, AND
WOULD BE DESPERATE BUT FOR RECENTLY-CONCLUDED AND HOPED-FOR
INTERNATIONAL LOANS. THE ECONOMIC SITUATION FLOWS FROM THE

INTERNATIONAL SLUMP AND THE GOP'S PAST ERRORS, BASED PRIMARILY ON THE EXTRACTIVE INDUSTRIES AND PRODUCTION OF RAW MATERIALS, PERU'S ECONOMY IS NEVERTHELESS DIVERSIFIED AND GROWING. THE ECONOMY WILL BENEFIT FROM RECENT MORE REALISTIC, LESS "REVOLUTIONARY" ECONOMIC POLICIES, INCLUDING THOSE DESIGNED TO ENCOURAGE PRIVATE INVESTMENT.

3. SOCIAL ENVIRONMENT -- MANY PERUVIANS ARE ABJECTLY POOR. SINCE THE SECOND WORLD WAR THERE HAS BEEN A MIGRATION OF POOR CAMPESINOS TO THE CITIES AND SHANTY TOWNS SURROUNDING THEM. ONCE ENCOURAGED BY BENEFITS FROM THE REVOLUTION AND FURTHER PROMISES TO IMPROVE THEIR LOT, PERU'S POOR NOW HAVE LESS HOPE OF A RISING STANDARD OF LIVING, EDUCATIONAL OPPORTUNITIES, AND HEALTH CARE. THE LIMA POOR ARE TRADITIONALLY APATHETIC AND NON-VIOLENT, BUT THE AUSTERITY-INDUCED PRESSURES ARE SUCH THAT I CANNOT SAY HOW LONG THIS SITUATION WILL OBTAIN. U.S. AID PROGRAMS ARE DIRECTED TOWARD HELPING THE POOREST SECTORS OF SOCIETY, BUT U.S. RESOURCES FOR THIS PURPOSE HAVE BEEN LIMITED.

4. U.S. MAJOR POLICY OBJECTIVES -- THE OBJECTIVES SET FORTH IN OUR LAST CASP (76 STATE A 4758) REMAIN GENERALLY VALID. ONE IS THE AVOIDANCE OR SETTLEMENT OF INVESTMENT DISPUTES, TOGETHER WITH PROMOTION OF BILATERAL TRADE. THE U.S. AND PERU HAVE BEEN INVOLVED IN MAJOR INVESTMENT DISPUTES, THE LAST ONE BEING EXPROPRIATION OF THE MARCONA MINING COMPANY. COMPENSATION NEGOTIATIONS TOOK 14 MONTHS. IN ITS CURRENT ECONOMIC DIFFICULTIES, THE GOP WILL PRESUMABLY SEEK TO AVOID NEW DISPUTES OF THIS KIND.

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PAGE 03 LIMA 00727 01 OF 02 272318Z

5. ANOTHER MAJOR POLICY OBJECTIVE IS TO MINIMIZE COMMUNIST INFLUENCE, AND TO ENCOURAGE PEACEFUL SOLUTION OF PERU'S LONG-STANDING BORDER DISPUTES. CUBAN INFLUENCE IS ON THE WANE. HOWEVER, THE SOVIETS ARE ACTIVELY SEEKING TO EXPAND THEIR ACTUAL AND POTENTIAL INFLUENCE WITH PERU'S RULERS BY OFFERING MAJOR ITEMS OF MILITARY EQUIPMENT ON CONCESSIONARY TERMS. PERU CONTINUES TO TAKE DELIVERY OF SOVIET TANKS AND ANTI-AIRCRAFT SYSTEMS, THUS BUILDING UP ITS MATERIEL SUPERIORITY OVER ITS NEIGHBORS, AND SOVIET-SUPPLIED COMBAT AIRCRAFT ARE ON THE WAY. THE QUANTITY AND ORIGIN OF THESE ARMS INCREASE REGIONAL TENSIONS. THE U.S. CANNOT COMPETE WITH SOVIET TERMS TO SUPPLY MILITARY EQUIPMENT WHICH THE MILITARY GOVERNMENT IS DETERMINED TO ACQUIRE. WE CAN, HOWEVER, SEEK TO COUNTER OR AT LEAST TO SLOW INCREASING SOVIET POLITICAL INFLUENCE BY MAINTAINING OUR MODEST FMS MATERIEL PROGRAM AND OUR TRAINING AND MILITARY PERSONNEL EXCHANGE PROGRAMS. WE CAN POINT TO SECURITY DANGERS INHERENT IN SOVIET POLITICAL INFLUENCE AMONG PERUVIAN MILITARY OFFICERS.

6. THE U.S. HAS FEW DIRECT MEANS TO DAMPEN DOWN REGIONAL TENSIONS AND THE SUSPICIONS OF PERU'S NEIGHBORS, ESPECIALLY CHILE AND ECUADOR, THAT PERU IS PREPARING TO ATTACK THEM WITH SOVIET (AND OTHER) EQUIPMENT. WE CAN CONTINUE QUIETLY TO ENCOURAGE REGIONAL DIALOGUE AND ARMS LIMITATION AGREEMENTS, AND WE CAN HOLD OUT THE PROSPECT OF ECONOMIC ASSISTANCE IN CONNECTION WITH ANY AGREEMENT AMONG PERU, CHILE AND BOLIVIA FOR A BOLIVIAN OUTLET TO THE SEA. WE AND OTHER COUNTRIES CAN TRY TO CONVINCE PERUVIAN LEADERS THAT LARGE ARMS ACQUISITIONS ARE INTERNATIONALLY UNSETTLING AND DOMESTICALLY UNPRODUCTIVE.

7. A THIRD MAJOR POLICY OBJECTIVE IS TO REDUCE THE FLOW OF ILLEGAL COCAINE TO THE U.S. ENCOURAGED BY OUR BILATERAL COOPERATION, PERUVIAN LAW ENFORCEMENT AGENCIES ARE COMBATING ILLICIT TRAFFICKING. THE GOP HAS ALSO RECENTLY SHOWN INTEREST
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PAGE 04 LIMA 00727 01 OF 02 272318Z

IN A WIDER PROGRAM OF ILLEGAL COCA ERADICATION, BETTER ENFORCEMENT AND ADMINISTRATION OF EXISTING PERUVIAN LAWS, AND PROGRAMS OF DRUG ABUSE PREVENTION AND TREATMENT.

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PAGE 01 LIMA 00727 02 OF 02 272325Z

ACTION ARA-10

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LAB-04 SIL-01 OMB-01 ACDA-07 MC-02 SNM-02 DEAE-00
VO-03 INSE-00 PER-01 PC-01 NSCE-00 SSO-00 USIE-00
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C O N F I D E N T I A L SECTION 2 OF 2 LIMA 0727

8. QUALITY OF CURRENT BILATERAL RELATIONS -- OUR RELATIONS HAVE BEEN STEADILY IMPROVING OVER THE LAST YEAR. THIS CHANGE IS STRIKINGLY REFLECTED IN THE MEDIA WHERE SHRILL ANTI-U.S. COMMENTARY A YEAR AGO HAS BEEN REPLACED BY FAIRLY BALANCED COVERAGE. PLACEMENT OF USIS MATERIAL HAS GREATLY INCREASED. THROUGHOUT THE PERIOD WHEN OUR RELATIONS WERE AT A LOW EBB, WE DEALT COURTEOUSLY BUT FIRMLY WITH THE REVOLUTIONARY GOP. THE U.S. SUPPORTED THE OVERALL STATED GOALS OF THE REVOLUTION -- TO DEVELOP PERU ECONOMICALLY AND SOCIALLY WHILE NOT ENDORSING EVERY SPECIFIC GOVERNMENT POLICY. OUR APPROACH, I BELIEVE, MAINTAINED RESPECT FOR US HERE AND PROVIDED A BASIS FOR IMPROVING OUR RELATIONS WHEN THE GOP SAW THIS TO BE IN ITS INTERESTS.

9. BILATERAL PROBLEMS -- I REFERRED ABOVE TO THE UNSETTLING EFFECTS OF CURRENT PERUVIAN ARMS PURCHASES, AND TO THE NARCOTICS PROBLEM EMANATING FROM PERU.

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PAGE 02 LIMA 00727 02 OF 02 272325Z

10. THE GOP HAS SET ABOUT TO PURGE COMMUNISTS AND OTHER RADICAL ELEMENTS FROM POSITIONS OF POWER THEY ATTAINED FROM 1968 TO 1976. SOME MEASURES UNDERTAKEN, SUCH AS JAILING THE LEADERS OF ILLEGAL STRIKES AND DEPORTATIONS, COUPLED WITH A SLOW, INEFFICIENT AND SOMETIMES HEAVY-HANDED LEGAL SYSTEM, HAVE BEGUN TO BRING PERU UNFAVORABLE ATTENTION FROM HUMAN RIGHTS GROUPS.

11. ILLEGAL PERUVIAN IMMIGRANTS TO THE U.S. MAY INCREASE. OUR CONSULATE IS OVER-TAXED, IN PART DUE TO PERSONNEL VACANCIES AND LACK OF ADEQUATE OFFICE SPACE, TO DEAL WITH THIS PROBLEM.

12. INDIGENOUS PROBLEMS -- PERU HAS SOCIAL AND ECONOMIC PROBLEMS ARISING FROM HISTORICAL AND CULTURAL FACTORS, LOW PRODUCTIVITY, AND THE COMPOSITION AND GROWTH OF ITS POPULATION, PARTICULARLY IN AND AROUND THE CITIES. EFFICIENT PUBLIC ADMINISTRATION HAS NEVER BEEN A PERUVIAN HALLMARK, AND THE MILITARY GOVERNMENT SEEMS UNABLE TO ADMINISTER THE COUNTRY BETTER THAN PREVIOUS REGIMES. THERE APPEARS TO BE A FUNDAMENTAL LACK OF ORGANIZATION AND DRIVE WITHIN THE GOVERNMENT TO ADDRESS ADEQUATELY AND SOLVE PERU'S MANY PROBLEMS. DEAN

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